

# **Sustainable organisational change**

## **– good practice in peer-to-peer partnerships**



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## Introduction

In the INTOSAI community there are many ways in which peers learn from and support each other: training programmes, peer reviews, collaborative audits and exchange programmes, just to name a few. The number of Supreme Audit Institutions (SAIs) involved in such mutual support programmes is increasing in all INTOSAI regions and the support takes place both within and between regions. Almost half of INTOSAI's members state that they have provided peer-to-peer support. Most of that support has focused on audit areas, although SAIs have also supported each other in areas such as IT, human resource management and communications.

In this paper our focus is on peer-to-peer cooperation that has a longer time frame – normally at least a couple of years – and is a partnership between organisations, not just individual experts. The common purpose of these partnerships is developing the capacities and capabilities of the whole organisation.

## Capacity Building Committee and peer-to-peer cooperation

According to the INTOSAI Strategic Plan, one of the Capacity Building Committee's (CBC) key strategies to achieve its goal and strategic objectives is to "Support and promote medium to long term peer-to-peer cooperation between SAIs in support of institutional capacity development." To gain more insights into proven methods and successful approaches, one of the theme sessions at the 2018 CBC meeting in Kuwait was devoted to peer-to-peer cooperation. Case studies were presented by both recipients and providers from across the world. The present paper distils some of the key lessons from that discussion. It also draws on some of the experiences and good practices gathered elsewhere.<sup>1</sup>

Five cases were discussed during the session:

- The SAIs of Poland (NIK) and Albania (ALSAI) have had long-term cooperation aimed at strengthening ALSAI's compliance with international standards. Part of the cooperation was supported by the EU through a twinning project.
- The SAI of Nepal has received financial support from a multi donor trust fund administered by the World Bank and peer support from SAI Norway to enhance public sector auditing in Nepal.

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<sup>1</sup> See information on further reading on the last page.

- The SAIs of the Netherlands (NCA) and Iraq (FBSA) have cooperated in the development of performance audit in Iraq. The program is funded by the Ministry of Foreign Affairs in the Netherlands.
- The Office of the Auditor General of New Zealand has established twinning relations with the Cook Island Audit Office and the SAI of Samoa. The programme is funded by the New Zealand Ministry of Foreign Affairs and Trade.
- The Office of the Auditor General in Kenya (OAGK) and the Swedish NAO (SNAO) have long-standing cooperation to support OAGK's institutional ability. A substantial part of the project is aimed at strengthening OAGK's performance auditing. The program is funded by an appropriation given to the SNAO by the Swedish Parliament.

## The case for peers

Peer-to-peer cooperation in general is increasing in the INTOSAI community. We have no solid data on how the type of long-term partnerships discussed in this paper have developed over time, but we know that there is an unmet demand for such peer-to-peer partnerships. All INTOSAI's regional organisations have emphasised that increased peer-to-peer support is a priority in their respective regions<sup>2</sup>.

Why is peer-to-peer support so popular? The thematic discussions in Kuwait highlighted some of the distinct advantages of peer support:

- Peer-to-peer partnerships are based on a common identity as Supreme Audit Institutions. Building on common experiences and a common mission facilitates the establishment of trust.
- Peers speak the same professional language. Regardless of the contextual differences, SAIs adhere to the same set of international standards on both an organisational and a technical level. This helps mitigate some of the cultural and language barriers and reduces transaction costs.
- Peer-to-peer partnerships are scalable. Although they are often externally funded (for example EU twinning, multi-donor trust funds) they can also be carried out in agreement between SAIs, using their own funding, with each SAI covering its own costs.
- Peer-to-peer partnerships are also scalable in the sense that they can be applied in many different contexts. The cooperation between the Iraqi and Dutch supreme audit institutions is but one example of partnerships in highly challenging and conflict-ridden contexts. In extreme cases the security situation might prohibit field visits and the partners might need to find innovative ways of engaging, such as meeting in third countries and using various technical solutions to stay in close contact, but the long-term character of the partnership remains.

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<sup>2</sup> For instance, at the regional meeting organised by the INTOSAI Capacity Building Committee in Graz, Austria, in November 2017.

- An added advantage is that a peer-to-peer partnership is a two-way street. Both recipients and providers gain from the cooperation. Exposure to and reflection on new practices increases learning in both organisations. Moreover, international cooperation is a good incentive for high-performing staff.
- The mutual benefit of peer-to-peer support programmes is also attested by the fact that they often lay the foundation for continued cooperation and sharing of experiences between SAIs.

## Capacity development

Any capacity development programme must be based on an analysis of where the SAI is and where it wants to go. What are its strengths and weaknesses and what capacities does it need to develop? What internal and external resistance will be encountered during the change process and what needs to be done to sustain change over time?

Elaborating a capacity development strategy is time-consuming and must be led entirely by the recipient SAI. Asking an outsider to design a change process is seldom a good idea. Consultants and peers can support the SAI in specific tasks, such as mapping its strengths and weaknesses, but the change strategy must be wholly owned by the SAI in question.

Building capacity in a SAI is much more than improving the technical skills of audit staff. The CBC's capacity building guide *Strengthening Supreme Audit Institutions - a guide for improving performance* adopts an approach where capacity development is defined on three levels<sup>3</sup>:

- *Institutional development*: involves understanding and responding to the wider context in which a SAI is operating, including the legal framework, the public financial management framework, the broader scope for reform, the potential for partnerships, the unwritten rules of the game, power relations and cultural norms.
- *Organisational development*: involves strengthening the systems procedures and cultural norms the SAI uses to deliver its mandate and support its professional staff in the delivery of audits. It includes strengthening such functions as leadership, strategic planning, human resource management, ICT and internal and external communications.
- *Professional development*: involves understanding what skills and experience are needed by a SAI's staff, what skills and experience they already have and what needs to be done to bridge any gaps. It includes professionalisation, not just of audit staff but all staff in a SAI.

This approach to capacity development is consistent with the approach underpinning the SAI Performance Measurement Framework, which was adopted by INCOSAI in 2016. It is also widely used across the INTOSAI community, not only by SAIs, but also by

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<sup>3</sup> Strengthening Supreme Audit Institutions, page 11

the INTOSAI Development Initiative (IDI) and other providers of support. The six different domains in the SAI PMF give a comprehensive illustration of the institutional, organisational and professional development of a SAI.

Peer-to-peer partnerships vary in their objectives, focus and scope. No partnership will be able to deal comprehensively with all levels and aspects of capacity development described above. However, any partnership that wants to achieve sustainable results must at least take the interdependencies between the three levels into account when designing the program.

Finally, a note on time frames. Change takes time; normally much more time than anticipated at the beginning of a change process. If we are to be serious about sustainable organisational change, particularly if we move beyond the development of technical skills, we need to think long-term, which is normally longer than a couple of years. It goes without saying that time frames are particularly uncertain in complex and challenging contexts.

## Successful peer-to-peer approaches

Each capacity development program has its unique characteristics. However, there are some common challenges facing all peer-to-peer programs. Many of them relate to the interdependence between the three levels of capacity development presented above. The following sections will discuss these challenges and some good practices for mitigating them.

### Establishing basics

Once a capacity development strategy is in place, the SAI leadership must decide on the best option to implement it. A peer-to-peer partnership can be one option for a SAI to build its capacity, but it is not necessarily the best one. The answer will depend on what alternatives are available to the SAI. There might be several offers on the table from a range of potential supporters and partners: bilateral or multilateral donor agencies, UN agencies, SAI peers, INTOSAI regional organisations or national professional accountancy bodies. The SAI could also plug into the IDI's global or regional training programs.

Accepting everything that is on offer just because it is for free is never a sensible strategy to develop capacities. It fails to consider opportunity costs, in terms of time and money, which inevitably leads to inefficiencies and overlaps. Recipient SAIs also need to consider how much support they can realistically absorb whilst still delivering on their core mandate. Starting several parallel reform projects might mean that none is followed through properly. If a SAI is well endowed with donor funding and other forms of support, it may even be a wise strategy to decline offers of peer-to-peer partnerships.

There is of course also another compelling reason for being prudent. The support might be free of cost for the recipient SAI, but not for its partner, which often commits the best

and the brightest among its staff. If the recipient SAI is not committed to the peer-to-peer partnership, those resources could be put to better use elsewhere.

Similarly, the potential support provider needs to be clear about its own partnership commitments. Will it be able to identify high-calibre staff and make them available for the long term? Equally important is whether it believes it can achieve sustainable results together with its potential partner, given the differences in audit practices and tradition and the challenges posed by wider prospects for reform in the country.

Once a partnership is initiated, it is time to get to know your partner. One feature that needs particular attention is the understanding of how culture and norms affect our behaviours and thus the foundation of cooperation. Investing time in understanding culture early on in a partnership is a good strategy for establishing trust and avoiding frustrating communication problems downstream.

Another issue that needs to be settled from the start is funding. In most cases the supporting SAI has obtained external funding from the EU, a World Bank-administered multi-donor trust fund or from the Ministry of Foreign Affairs in its own country. These funds normally cover all costs for the supporting SAI. However, sometimes the costs of the recipient SAI are not properly factored in, which might result in necessary activities going unfunded.

Finally, already at the outset partners need to think about exit. Partnerships between SAIs may last forever or till death do them part but change processes should not. Partners need to define what they are going to achieve together and how those results can be sustained when direct support has come to an end. Having a long time frame does not imply that organisational development programs should last forever.

Successful partnerships need to be clear from the outset about expectations, roles and responsibilities – and resources. Strategies to that end include:

- Agreeing on the responsibilities of both parties, not only those of the supporting SAI. Such an agreement should cover issues like the objectives of the cooperation, time frame, key inputs from both parties, project management and consultation structures.
- In cases where the SAI has many partners assisting in implementing its capacity development strategy, it is imperative that it establish strong coordination between all providers of support.

## Being realistic

Embedding organisational change takes time. Partnerships are often far too optimistic about what can be achieved during a project that lasts only a couple of years. External

stakeholders' expectations of quick and tangible results often add to unrealistic goals and objectives.

The supported SAI faces an enormous challenge in building capacity at the same time as it must deliver on its mandate. During peak periods it is simply not possible to reduce the audit workload in order to make room for change processes. This puts a tremendous burden on key staff, since the same people are often both change agents and line managers or senior auditors.

This problem is further exacerbated in complex and challenging contexts where the human resource constraint is under even more pressure.

Any successful change process requires the full commitment and support of the top leadership. The leadership needs to demonstrate this commitment, not primarily in the form of giving it official blessing, but in setting real priorities, which means deciding what will not be done in order to create space for the change process. Similarly, the leadership needs to recognise and reward behaviour which supports the change process.

Conflicting agendas and priorities are largely unavoidable in change processes. Successful partnerships can mitigate some of the friction by:

- Jointly setting realistic targets, time frames and priorities
- Establishing a clear structure for joint project management with delegated responsibilities so that operational problems and conflicting priorities can be addressed without delay at the appropriate level.
- Establishing a direct communication line between partners at the operational level for each key area of cooperation, while keeping project management in the loop.
- Agreeing a yearly activity calendar but allowing for flexibility to accommodate changing circumstances on the ground.
- To the extent possible, planning capacity building interventions in off-peak seasons or fully integrating them into the audit process, thus supporting the completion of audits through on-the-job training and coaching.

## Working upstream

A recurring issue for peer-to-peer support projects is the tension between immediate and long-term results. While project objectives will take years to materialise, both internal and external stakeholders expect to see tangible results soon. A balance must be struck between quick results downstream in an organisation, focusing on products and individual auditors, and slower but more sustainable results upstream, focusing on processes and systems.

Both parties in a partnership have incentives to let the support provider do too much too soon. Visiting colleagues want to show that they are useful and know their trade and want to demonstrate tangible results in their respective areas.

Colleagues from the host SAI are often overwhelmed by their ordinary tasks and would happily accept help in the form of ready-made products (e.g. manuals and checklists). Sometimes provision of such products is even built in as milestones in donor-funded schemes.

Remuneration systems can also create perverse incentives. Various forms of training allowances might have been developed in order to support capacity development in an office, but will tilt attention towards formalised skills training as opposed to processes and on-the-job training. Remuneration systems will not change overnight, but being aware of how they affect the change process can at least help avoid some frustration.

Sustainable change requires the partner to take a step back and avoid providing blueprints. Having a professional discussion rather than providing ready-made answers might slow things down a bit in the short run, but it is a better way to achieve sustainable results. Similarly, working on quality systems rather than individual audits will take longer to impact on individual audit reports, but the change will be more sustainable.

Striking the right balance between the long and short term is ultimately a question of context. In particularly resource-challenged contexts, prioritising short term results over long term impact may be the only option. However, in order to achieve sustainable change, programmes must always try to move upstream, in other words prioritise long-term results in processes and systems.

For successful programmes such an upstream mentality translates into:

- Graduating from training audit teams to training of trainers.
- Focusing on on-the-job-training rather than classroom courses.
- Coaching managers to fulfil their quality role.
- Jointly developing manuals and checklists based on the audit practices of the supported SAI.

## Looking sideways

Organisational development is about evolving professional skills to professional capacities, and then connecting those capacities to an organisational ability to produce reliable outcomes. All peer-to-peer partnerships struggle with how to make that journey from professional skills to organisational capabilities.

Building professional audit capacity in, say, performance audit, is the easy bit. Turning that professional capacity into an organisational ability that produces relevant performance audit reports of consistently high quality is the difficult part. To realise that outcome, most probably bottlenecks elsewhere in the organisation also need to be addressed: recruitment and retention of staff, incentive schemes, organisational structure, management practices, leadership styles, etc. The achievement of outcomes in one area tends to be dependent on several functions in the SAI, including support



functions. Hence, the need to look sideways, which means looking beyond organisational silos in identifying obstacles to the change we seek.

Partner SAIs may not always have spare capacity to also engage in the strengthening of their support functions. Furthermore, externally funded programmes may limit peer participation to core audit functions. Notwithstanding such limitations, peer-to-peer partnerships should try to address organisational bottlenecks. This can be done by:

- Avoiding, as far as possible, the replication of organisational silos in programme design.
- Ensuring that support functions are invited to the table and are part of the discussion on achieving organisational outcomes. Introducing a new audit stream for instance would have implications not only for the audit department concerned but also for the departments of human resources, communications and IT.
- Reaching out to other providers of support for assistance in addressing these bottlenecks.

## Improving leadership

Supreme audit institutions are typically knowledge organisations which require effective leadership that not only believes in the need for development, but also actively promotes change. Leaders at all levels of the organisation play a central role in linking employees' skills into a coherent organisational capability.

Leadership is a profession in its own right and a factor that is often overlooked in capacity development programs. The ability to lead impacts an organisation at various levels. Senior management needs to sustain the direction of change, middle management needs to translate it into the day-to-day office decisions and team leaders need the tools and personal aptitude to lead front-line auditors towards a shared goal.

It might not be a viable option to include fully fledged leadership development components in the partnership, but successful programmes acknowledge the importance of leadership by:

- Designing interventions that work through existing management structures, not bypassing them. If at all possible, avoid creating separate project implementation units.
- Offering senior management coaching or mentoring by a peer in the partner organisation.
- Enrolling in leadership programmes managed by other providers in the INTOSAI community (e.g. IDI or regionally) or elsewhere.

## Thinking impact

Successful capacity development of SAIs is ultimately about producing audits that make a difference by adding value and benefits to citizens. High quality audit reports that are not read by parliament, acted upon by auditees or known by the public are fairly useless.

Even if a capacity development programme is narrow in scope (e.g. improving quality in a particular audit stream), keeping the wider institutional framework in mind will help interventions be more effective. For instance, engaging the Public Accounts Committee in a discussion on the introduction of performance audit increases the chances of reports being taken seriously and recommendations implemented. Similarly, reaching out to other stakeholders like civil society and the media might increase the reach and relevance of audit reports.

Furthermore, getting key stakeholders on board on more narrow issues will also help the SAI identify allies for institutional change. This could be particularly important in challenging and conflict-affected contexts where the legal framework might not be appropriate, and the role of the SAI might be poorly understood.

Not all partnerships will have the possibility of working proactively with stakeholders, but successful programmes need to at least take the wider institutional framework into account by:

- Engaging with parliament on the readability and relevance of audit reports.
- Seeking partnership with others, for instance the UN or the donor community, for wider engagement with stakeholders.

## Evaluation

Evaluations are an integral part of the project cycle. They assess such things as the extent to which intended results have been achieved and are sustainable; whether design and methodology have been relevant in relation to needs; and whether interventions have been effective and efficient<sup>4</sup>. In doing so, they help both parties in a peer-to-peer partnership learn from mistakes and identify good practice.

An evaluation will inevitably reveal weaknesses in programme objectives and design. Are objectives clearly formulated? Do indicators measure what we say they do? Do we have a baseline to evaluate against? A common challenge is that the answer to any of the questions above is “no”, which might mean that partners must settle for a less-than-perfect evaluation. A common mistake is to address this dilemma by focusing on whether planned activities have taken place or not. Such exercises might provide a lot of

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<sup>4</sup> The Development Assistance Committee of the OECD has laid out five principles for the evaluation of development assistance programs: relevance, effectiveness, efficiency, impact and sustainability. These principles are equally applicable to SAI peer-to-peer partnerships. See <https://www.oecd.org/dac/evaluation/>

information on the number of missions or trainees but have nothing to say regarding results, let alone impact.

The SAI Performance Measurement Framework is an excellent starting point for an evaluation. Ideally, the framework will have been applied already at the outset when a baseline is established, giving us something to evaluate against. If there is no baseline, the SAI PMF could still be used, in full or in part, as the basis for the evaluation. The six domains of the framework illustrate perfectly well the interdependencies between the three levels of capacity development of a SAI, which we have discussed throughout this paper and will help to keep the focus on results rather than activities.

Both recipients and providers of peer-to-peer support should make the evaluations they commission more widely available to the public. That will allow internal and external stakeholders to judge whether resources are used effectively. It will also allow peers in the INTOSAI community to learn from the experiences of others. While “success stories” might inspire action, independent evaluations provide more high-quality information. A more structured sharing of evaluation results within INTOSAI would mean that the next version of this paper could be based more on hard facts and less on anecdotal evidence.

## Further reading

This paper builds primarily on the discussion following the peer-to-peer partnerships that were presented at the CBC Annual Meeting in Kuwait in September 2018. For a more detailed description of these partnerships and the discussion, please refer to the Consolidated notes

<https://www.intosaicbc.org/consolidated-notes-from-theme-discussions-on-peer-to-peer-cooperation-during-the-cbc-annual-meeting-in-kuwait-2018/>

Another source of inspiration has been the inventory compiled by EUROSAI’s Goal Team One in 2014, *Good Practice Examples in the Capacity Building of Supreme Audit Institutions*, which discusses successful methods and approaches based on eleven case studies.

<https://www.intosaicbc.org/download/eurosai-good-practices-2014/>

Every four years the Swedish National Audit Office summarises the results of its peer-to-peer partnerships in a report to the Riksdag (Swedish Parliament). The 2018 report *Results of the Swedish National Audit Office’s International Development Cooperation* summarises a dozen programme evaluations and distils lessons learned

[https://www.riksrevisionen.se/IDG\\_result](https://www.riksrevisionen.se/IDG_result).

The CBC’s revised capacity building guide, *Strengthening Supreme Audit Institutions - a guide for improving performance*, discusses practical ways of developing SAI capacity at the professional, organisational and institutional level.

<https://www.intosaicbc.org/cbc-guides-and-flyers/>

#### **Quality assurance statement**

This is an occasional paper from the INTOSAI Capacity Building Committee. Occasional papers serve to raise issues and stimulate discussion on current themes. The paper is written by CBC Vice Chair, Mr Magnus Lindell, and distils some of the key lessons from the theme discussion on peer-to-peer cooperation during the CBC's annual meeting in Kuwait in 2018. It also draws on some other experiences and good practices. The paper has undergone a quality assurance review by the CBC editorial board, consisting of representatives from the SAIs of Kenya, UK and Sweden and from the PASAI General Secretariat.

